eureka GROUP HOLDINGS

INVESTOR PRESENTATION

Half Year Results – 31 December 2020

February 2021

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Snapshot of Eureka

- Eureka is a specialist owner and manager of rental villages for independent seniors
- We provide essential social infrastructure and services to a growing cohort of residents
- Our revenue streams are economically stable and highly resilient, with government pensions underpinning around 95% of revenue
- Our agreements with residents are standard rental agreements for accommodation and food to independent seniors, not aged care
- Our existing platform is now running efficiently and our goal is to become a scale player in a fragmented industry
- The market in which we operate has favourable long term industry trends
- We have the balance sheet capacity and cash flows to accelerate our growth momentum and sustain dividends to shareholders

Half Year Summary

FINANCIAL

Underlying EBITDA up 27% to $5.23m

Underlying Profit before Tax up 39% to $3.57m

Net Operating Cash Flow up 16% to $4.05m

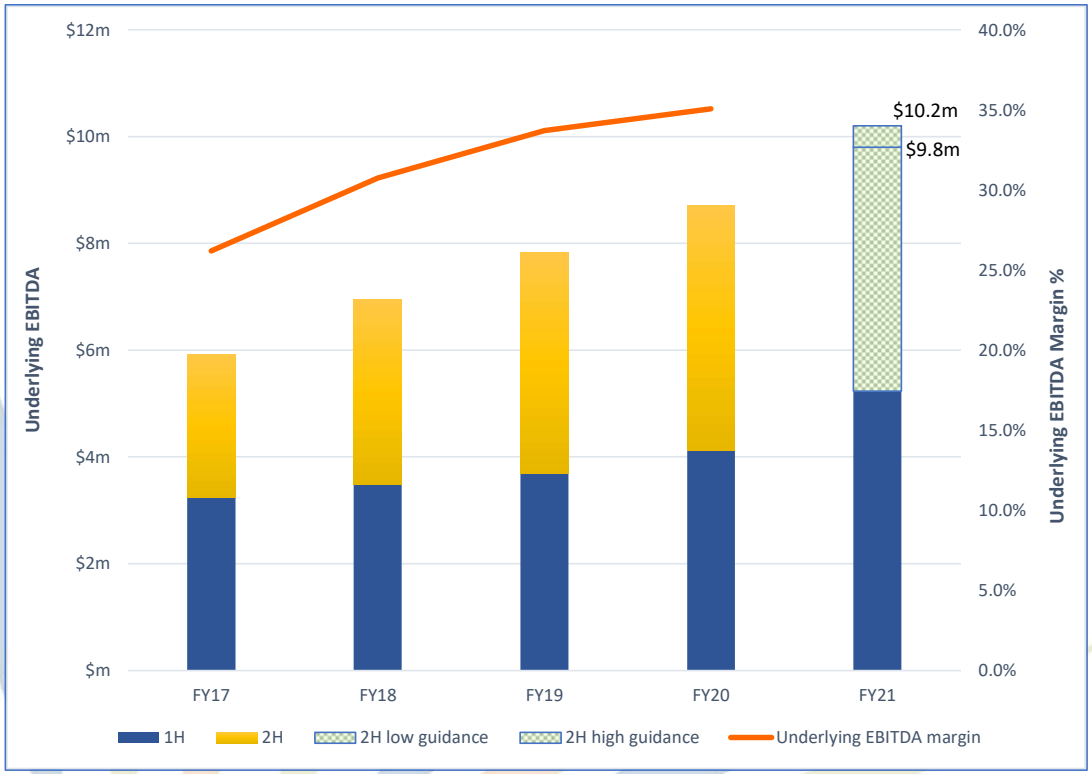
Balance sheet gearing: 41%
Interest cover: 4.5 times

Debt expiry: 31 March 2024
Facility limit: $77.5m, increasing to $80m

Interim dividend: 0.59 cents per share
Record date – 25 March 2021
Payment date - 21 April 2021

Dividend reinvestment plan introduced

Increasing Underlying EBITDA with emerging benefits of scale



BUSINESS

VILLAGES (32 OWNED, 8 MANAGED)

Total Units
2,215 units, up 3.2% on PY

Occupancy
97%, up from 95% in PY

Capital Recycling
$2.46m from Terranora Disposals

Acquisitions
Earlville (Cairns), Qld, 70 Units
Hervey Bay, Qld, 53 Units

Village Expansion
Wynnum, Qld, +22 Units

Underlying EBITDA is an unaudited non-IFRS measure that represents the operating performance of the Group and excludes valuation adjustments and certain non-core or non-recurring transactions
Underlying Profit before Tax is an unaudited non-IFRS measure and equals Underlying EBITDA less finance costs, depreciation and amortisation
Balance sheet gearing is measured as net debt to net debt plus equity

Business Highlights

- **ACQUISITIONS**: Two villages acquired in Earlville (Cairns) and Hervey Bay in November 2020 for a total of $13m, added a further 123 units to the portfolio
- **WYNNUM EXPANSION**: project involving construction of 22 units and refurbishment and expansion of the community room is underway. On completion, the village will comprise 62 units in a prime Brisbane metropolitan location
- **GREENFIELD OPPORTUNITIES**: Heads of Agreement entered into on two South-East Queensland properties. Due diligence underway for build-to-rent villages. Non-binding agreements
- **TERRANORA**: Disposal of 11 units for $2.46m resulted in a gain on sale of $0.28m. To date, 50 units have settled for $11.37m and contracts have been exchanged or issued for the remaining 10 units for total consideration of $1.58m
- Continued success in **capital recycling**
- Weighted average **capitalisation rate**: 10.12% (FY2020 10.10%)
- **INVESTMENT** in asset upgrades including solar, safety and common areas
- **Solar** energy roll-out completed on 13 villages. Feasibility evaluation on a further 7 villages Average ROI 20%+
- **COVID-19**: Ongoing vigilance and risk management

Attractive Market Proposition

COMPETITIVE ADVANTAGE

Eureka is a specialist owner and manager of rental villages for independent seniors

STRATEGY

- Expanding portfolio of rental villages
- Stable rental market underpinned by the government pension
- Scalable growth of the core business through:
  - Disciplined acquisitions and greenfield developments
  - Optimisation of the core business fundamentals in occupancy, rental growth and cost control

CUSTOMER PROPOSITION

- Creating an exceptional resident experience
- Independent living in a community environment with like-minded neighbours
- Safe and secure, active village lifestyle
- Affordable rental model with simple agreement and no upfront capital or exit fees

INVESTOR PROPOSITION

- Essential social infrastructure asset class
- Favourable long term industry trends
- Quality asset base with stable and resilient cash flows
- Growth opportunities to scale the business and increase return on equity
- Dividends backed by consistent earnings

Favourable Core Industry Trends

- **AGEING POPULATION**: An increasing number of seniors, both in total and proportion of the population
- **POPULATION PROJECTIONS:** Proportion of population and number of people aged 65+ projected to increase:
  - **2021** – 16.22%: 4.26 million
  - **2026** – 17.40%: 4.86 million
  - **2031** – 18.20%: 5.15 million
- **RISE OF THE RENTAL**: The rising number and proportion of households that rent across all age groups

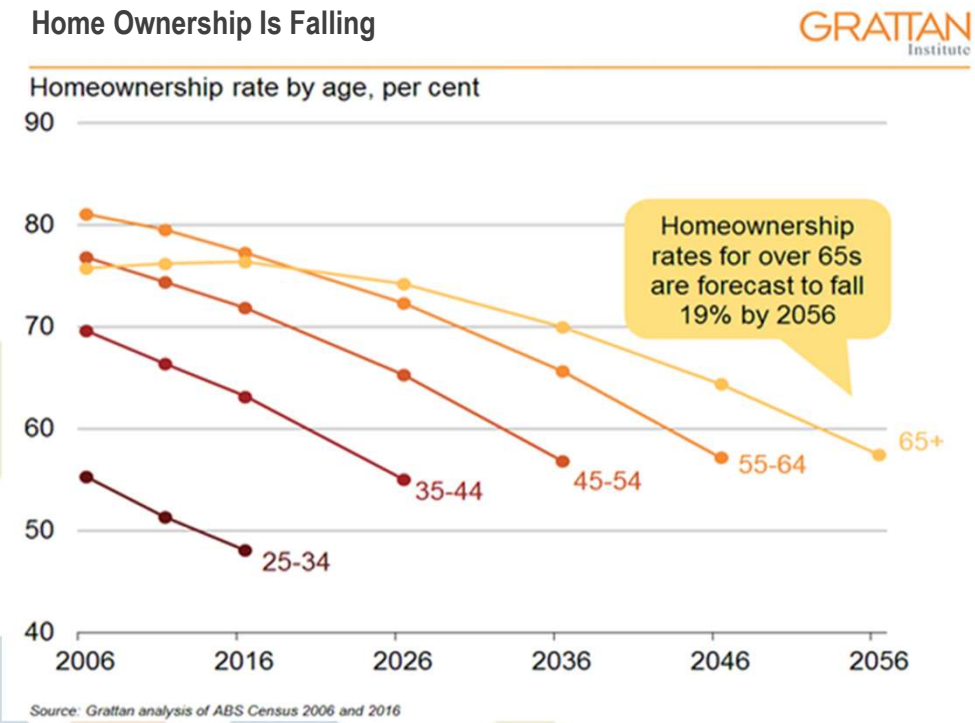
Sources: Grattan Analysis of ABS Census 2006 and 2016; Yates (2015) – Submission to Senate for Economic References Committee on Affordable Housing
Sources: ABS Census 2001 – 2016; Customised projections prepared for the Australian Government Department of Health by the Australian Bureau of Statistics

Favourable Core Industry Trends

A fundamental change in home ownership is underway

"Grattan Institute modelling shows the share of over 65s who own their home will fall from 76% today to 57% by 2056 – and it's likely that less than half of low-income retirees will own their homes in future, down from more than 70% today."

B. Coates & T. Chen (The Conversation)



Sources: Grattan Analysis of ABS Census 2006 and 2016; Yates (2015) – Submission to Senate for Economic References Committee on Affordable Housing

Responsible ESG Practices

- **GOVERNANCE**: Responsible approach to business ethics and compliance. Promoting a diverse and inclusive workplace
- **SOCIAL**: Empathetic and committed village managers empowering the independence and wellbeing of residents. Creating safe village communities with a high level of social engagement - compassion, respect and trust
- **SUSTAINABILITY:** Developing an Environmental Sustainability program through energy conservation, waste management and recycling

Scalable Portfolio Growth

Earlville (Cairns)
Additional 70 Units
$8.0m

Strengthening the Cairns network by complementing the existing Smithfield village (50 Units)

Scalable Portfolio Growth

Hervey Bay, Qld
Additional 53 Units
$5.0m

An exceptional network addition in an ideal demographic catchment

FY21 Outlook: Accelerating The Momentum

- **FINANCIAL**: Underlying EBITDA at the upper end of forecast: $9.8m to $10.2m (prior to asset revaluations, sales at Terranora and non-recurring items)
- **GROWTH**: Building an acquisition pipeline and greenfield development program with the balance sheet capacity to become a scale player
- **PEOPLE & CULTURE**: Continued leadership development throughout the village manager ambassador network and support function
- **CUSTOMER VALUE PROPOSITION**: Resident experience initiatives to maintain high occupancy and organic rental growth
- **TECHNOLOGY**: Continual improvement in technology and business systems
- **MARKETING**: Enhancing brand position and performance. Building brand awareness and reputation in the seniors independent living sector

Key Financial Information – Profit & Loss

Half year ended ($ '000)	31-Dec-20	31-Dec-19
Rental income	9,233	8,528
Catering income	2,195	2,104
Service and caretaking income	2,217	1,844
Revenue from ordinary activities	13,645	12,476
Profit after tax	3,070	5,223
Income tax expense	1,024	-
Depreciation and amortisiation	303	270
Finance costs	1,358	1,278
EBITDA[1]	5,755	6,771
Net gain on asset revaluations and impairments	(199)	(1,163)
Gain on sale of Terranora units	(284)	(839)
Refund of prior period GST	-	(644)
Other	(39)	-
Underlying EBITDA[1]	5,233	4,125
Finance costs	(1,358)	(1,278)
Depreciation and amortisiation	(303)	(270)
Underlying Profit before Tax[2]	3,572	2,577
Basic earnings per share (cents)	1.33	2.26
Diluted earnings per share (cents)	1.33	2.26
Dividends per share (cents)	0.59	0.55

[1] EBITDA (Earnings before interest, tax, depreciation and amortisation) is an unaudited non-IFRS measure. The Directors believe it is a readily calculated measure that has broad acceptance and is referred to by regular users of published financial statements as a proxy for overall operating performance. EBITDA presented has been calculated from amounts disclosed in the financial statements. Underlying EBITDA is an unaudited non-IFRS measure that represents the operating performance of the Group and excludes valuation adjustments and certain non-core or non-recurring transactions.

[2] Underlying Profit before Tax is an unaudited non-IFRS measure and equals Underlying EBITDA less finance costs, depreciation and amortisation.

Underlying EBITDA up 27%with improving margins

- Underlying EBITDA margin increased to 38.4% compared with 33.1% pcp
- Underlying Profit before Tax increased by 39% to $3.57m
- Improved result driven by portfolio expansion generating economies of scale and improved occupancy
- Net gain on revaluations $0.20m, including $0.43m revaluation uplift from Tasmanian village portfolio
- Gain on sale of Terranora units $0.28m

Key Financial Information – Balance Sheet

As at ($ '000)	31-Dec-20	30-Jun-20
Assets		
Cash and cash equivalents	1,989	2,451
Trade and other receivables	1,360	1,065
Inventory	2,888	4,880
Joint Venture Investment	6,622	5,955
Investment property	136,424	121,443
Other property assets	926	1,077
Intangibles and other assets	8,871	8,334
Total Assets	159,080	145,205
Liabilities		
Trade and Other Payables	3,429	2,125
Provisions	645	596
Deferred tax liabilities	2,004	980
Bank debt	61,722	54,472
Other financial liabilities	3,581	1,164
Total Liabilities	71,381	59,337
Net Assets	87,699	85,868

Balance sheet capacity, inventory recycling and favourable banking terms enable Eureka to scale its operations

- Capitalisation rate of investment properties stable at 10.12% (FY20: 10.10%)
- Joint venture investment uplift due to revaluation of Tasmanian village portfolio (50% share: $0.43m)
- Acquisition of 70 unit village in Earlville (Cairns) and 53 unit village in Hervey Bay ($13.0m)
- Inventory - 20 Terranora units on hand at 31 December 2020. Since then, 10 have sold and contracts have been exchanged or issued for the remaining 10
- Debt facility increased from $60.0m to $77.5m. Increase in net debt of $7.71m. A further increase to $80m has been agreed to support acquisition of new villages
- Balance sheet gearing 41%

Key Financial Information – Cash Flows

Half year ended ($ '000)	31-Dec-20	31-Dec-19
Receipts from customers	14,589	12,753
Payments to suppliers and employees	(9,447)	(8,088)
Interest received	14	28
Interest paid	(1,105)	(1,200)
Net Cash provided by Operating Activities	4,051	3,493
Cash Flows from Investing Activities		
Payments for Investment Property	(12,647)	(2,347)
Net proceeds from the sale of property assets	2,331	5,371
Other net payments	(20)	(277)
Net Cash provided by/(used in) Investing Activities	(10,336)	2,747
Cash Flows from Financing Activities		
Net proceeds from/(repayment of) borrowings	7,250	(4,263)
Payment of dividends	(1,265)	(2,300)
Other payments for financing activities	(162)	(188)
Net Cash provided by/(used in) Financing Activities	5,823	(6,751)
Net decrease in cash and cash equivalents	(462)	(511)
Cash and cash equivalents at the beginning of the period	2,451	3,060
Cash and cash equivalents at the end of the period	1,989	2,549

- Net cash from operating activities increased by 16% due to strong underlying results
- Acquisition of new villages funded from debt draw down and capital recycling (sale of Terranora units)
- FY20 final dividend of 0.55 cents per share during the period

Stable and reliable cash flows support growth objectives and dividends to shareholders

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